

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-323-E - ORDER NO. 2008-650
SEPTEMBER 18, 2008

Application of South Carolina Generating)	ORDER GRANTING
Company, Inc. (GENCO) for Authority to)	APPLICATION
Borrow Proceeds of Industrial Revenue)	
Bonds)	

1. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of an Application filed on August 22, 2008, by South Carolina Generating Company, Inc. ("GENCO"), a corporation organized under the laws of South Carolina. The Application was filed pursuant to §58-27-1710, S.C. Code of Laws (1976) as amended and 26 S.C. Code Ann. Regs. 103-823 (1976) as amended.

GENCO proposes to enter into a Loan Agreement, in substantially the form attached as Exhibit A to the Application (the "Loan Agreement"), with respect to the issuance by the South Carolina Jobs-Economic Development Authority (the "Authority") of not exceeding Fifty Million Dollars (\$50,000,000) principal amount of industrial revenue bonds (the "Bonds") to defray the costs of certain Pollution Control Facilities (defined herein).

2. FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. BUSINESS

GENCO is a wholly-owned subsidiary of SCANA Corporation ("SCANA") and an affiliate of South Carolina Electric & Gas Company ("SCE&G"). SCE&G is an electric utility operating in the State of South Carolina, serving the central, southern and southwestern portions of the State with electric service and it also delivers natural gas service throughout its service territory which encompasses all or part of 35 of the 46 counties in South Carolina and covers more than 23,000 square miles. GENCO owns and operates the Arthur M. Williams generating station (the "Plant"). Pursuant to a Unit Power Sales Agreement, SCE&G purchases from GENCO all of the power generated by the Plant.

B. AMOUNT AND CHARACTER OF SECURITIES TO BE ISSUED

1. Terms of Bonds

GENCO proposes to enter into the Loan Agreement with the Authority, pursuant to which the Authority will agree to issue and sell the Bonds pursuant to a Trust Indenture, in substantially the form attached as Exhibit B to the Application (the "Indenture"), between the Authority and a corporate trustee (the "Trustee"), the terms for the Bonds generally described as follows:

Principal Amount:	\$50,000,000 (maximum) in one or more series
Issue Date:	On or before December 23, 2008
Interest Rate:	Market, may be subject to periodic reset
Maturity Date:	40-year maximum

Call and Redemption Features:	Market
Sinking Fund:	Market, but none required
Estimated Initial Offering Price:	Between 97% and 115% of par
Underwriting Discount:	1% (maximum) (expected range .5% to .75%)
Redemption Price:	Market-estimated to be not in excess of 103% of principal amount
Credit Ratings:	Moody's – Baa1; S&P – BBB+

As stated in the Application, the interest rates on the Bonds may be reset daily, weekly, or for intermediate or extended periods, or may be fixed to maturity, all as selected from time to time by GENCO. GENCO states in the Application that interest paid on the Bonds will be excluded from gross income of the registered owners thereof for federal and South Carolina income tax purposes. GENCO further states that, regardless of whether the Bonds are issued at a variable rate of interest or an interest rate fixed for an intermediate or extended period of time or to maturity, at the time of initial issuance, it expects that the interest rate on the Bonds will not exceed 7.0%.

As stated in the Application, GENCO may elect, at each interest rate reset and subject to the requirements of the Indenture, to reset the interest rate based upon the existing interest determination method, select a different reset period and interest rate determination method or fix the interest rate on the Bonds to maturity. GENCO states in the Application that, once the election is made to fix the interest rate on the Bonds to

maturity, there will be no future interest rate resets or opportunities to convert the Bonds to a different interest rate or interest determination method.

GENCO further states that the variety of interest rates and terms allowable under the Indenture permits it to manage the interest cost of the borrowings until such time, if ever, when GENCO determines market conditions are favorable to fix the interest rate on the Bonds to maturity. As stated in the Application, GENCO alternatively could take advantage of market conditions by entering into, modifying, amending, or terminating interest rate swaps to effectively change the stream of interest payments from fixed rate to floating rate or vice versa without effecting a conversion or refunding of the Bonds.

GENCO has stated in the Application that it expects the Bonds to be sold in an underwritten public offering as described in an Official Statement, in substantially the form of the draft Preliminary Official Statement attached as Exhibit C to the Application.

2. Security

GENCO states that the Bonds will be sold on its general credit and secured by a guaranty of SCANA (in substantially the form of Guaranty attached as Exhibit D to the Application) in favor of the Authority or the Trustee for the benefit of the holders of the Bonds. The Application states that the Bonds may also be secured by a bank letter of credit, in which event the SCANA Guaranty may also secure GENCO's repayment obligation under the credit or reimbursement agreement under which the letter of credit is delivered.

3. Application of Proceeds

Federal and State air emissions standards necessitate the addition of certain equipment at the Plant to include but not be limited to, desulfurization equipment (wet scrubber) (the “Pollution Control Facilities”). The Pollution Control Facilities will be capable of reducing sulfur dioxide (“SO₂”) emissions at the Plant by at least 95%. As a result of the Clean Air Act Amendments of 1990 and subsequent legislation, regulations and rules, the Environmental Protection Agency and the South Carolina Department of Health and Environmental Control require reduction of SO₂ emissions from coal-fired generating facilities. GENCO states in the Application that the net proceeds from the sale of the Bonds will be loaned by the Authority to GENCO pursuant to the Loan Agreement for the purpose of financing a portion of the costs to construct the Pollution Control Facilities and to reimburse prior advances made by SCANA through the Utility Money Pool to GENCO for such purposes.

C. COMPLIANCE WITH PSC ORDER NO. 91-72

In compliance with the provisions of Order No. 91-72, dated January 18, 1991, Docket No. 91-032-E, GENCO has submitted financial statements and information required by the Order.

D. TERMS OF ISSUANCE AND SALE AT MARKET

The Application states that GENCO may offer and sell the Bonds from time to time when market conditions, in its judgment, are favorable, in either of three ways:

- A. Underwriters or Dealers. If underwriters are utilized with respect to the Bonds, GENCO proposes to sell such Bonds pursuant to a bond purchase agreement to any underwriter or to a group of underwriters to be selected at the time of each such sale.
- B. Private Placement. Private placement to a limited number of purchasers or to a single purchaser, which will require a sales agreement with respect to such Bonds.
- C. Through Agents. If GENCO offers any series of the Bonds in a private placement or through agents to a limited number of purchasers or to a single purchaser, a sales agreement will be utilized with respect to such Bonds.

GENCO further states that negotiations at market with the purchaser or purchasers, to be concluded shortly before the offering of the Bonds, will determine the interest rate to be borne by, the maturity date of, the initial offering price of, the price to be paid to GENCO for, the call provisions of, any underwriting or purchase discount (i.e., the difference between the initial offering price and the price paid by the purchaser underwriter to GENCO) with respect to, and the redemption prices of, each series of the Bonds. GENCO states in the Application that the Bonds may be resold subject to the periodic reset of the interest rate therein for varying periods. The Application states that, based on market conditions, GENCO believes that the initial offering price usually will not be less than 97% nor more than 115% of the principal amount of such series of Bonds, that any underwriting discount will not exceed 1% of the principal amount of

such series of Bonds, and that the initial regular redemption price, if any, will not exceed 103% of the principal amount of such series of the Bonds. GENCO has requested in the Application that it be authorized to negotiate, in its judgment, the most favorable interest rate or interest rate determination method and terms obtainable on the date the Bonds are priced including, if appropriate, terms, prices and redemption provisions.

After investigation by the South Carolina Office of Regulatory Staff and upon full consideration by the Commission, the Commission is of the opinion, and so finds, that the matters set forth in the Application and the exhibits thereto are proper; that the purpose of the proposed use of the proceeds by GENCO of the Bonds are proper; that the proposal to issue the Bonds is reasonable and proper; and that the proposed alternate methods of offering the Bonds is proper.

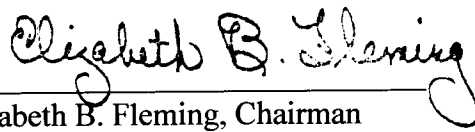
IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

- (1) GENCO is granted a Certificate of Authority stating (a) that the issuance of up to Fifty Million Dollars (\$50,000,000) of Bonds is reasonably necessary to the financing of the construction herein described and (b) that the value of the Pollution Control Facilities will be equal to or in excess of the amount of loan proceeds to be applied for that purpose.
- (2) The terms and conditions of the Loan Agreement are authorized and approved and GENCO is authorized to execute and deliver the Loan Agreement in connection therewith.

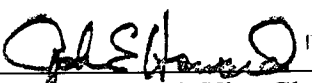
- (3) GENCO is authorized and empowered to execute and deliver a bond purchase or sales agreement with respect to the issuance of the Bonds.
- (4) GENCO is authorized and empowered to negotiate, execute and deliver from time to time letter of credit reimbursement agreements with respect to the Bonds, providing for the delivery of bank letters of credit to enhance the marketability of the Bonds.
- (5) GENCO is authorized and empowered to enter into, amend, modify and terminate, from time to time such interest rate swap transactions with respect to the Bonds as GENCO shall determine to be advisable.
- (6) GENCO is authorized and empowered to periodically reset the interest rate term and determination method with respect to the Bonds pursuant to the terms of the Indenture.
- (7) GENCO is authorized and empowered to negotiate the terms of the transaction as described herein and to make such changes in the instruments filed as exhibits to the Application and to negotiate and to enter into other related or supplemental agreements as are reasonably necessary, including, but not limited to, changes in the dates of the documents described herein, to consummate the transactions described herein or hereafter to maintain or preserve such transactions.
- (8) GENCO shall file with the Commission conformed copies of the instruments (and any amendments, modifications and extensions thereto) in the final form in which they are executed.

- (9) The maximum amount of borrowings and character of the securities issued thereby, as proposed, are reasonably necessary for the purpose for which they are to be issued as described above.
- (10) This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modification or changes with respect to any provisions of this Order in accordance with the law.
- (11) This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman
(SEAL)